

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-09 ISO-00 L-03 H-02 PRS-01 PA-02  
SP-02 USIA-15 AID-05 EB-08 NSC-05 SS-15 STR-04  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07  
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /119 W  
-----200944Z 022872/10

R 200922Z APR 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 7518  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY TOKYO  
AMEMBASSY SANTIAGO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 06756

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A  
TAGS: EFIN, GW  
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 18)

REF: BONN 6303, BONN 6019

### 1. GERMAN MEDIUM-TERM INVESTMENT PROGRAM:

THE GOVERNMENT HAS NOW INTRODUCED INTO THE BUNDESTAG  
AN AMENDMENT TO THE 1977 FEDERAL BUDGET DRAFT (CURRENTLY  
IN BUNDESTAG COMMITTEE) PROVIDING FOR DM 3.9  
BILLION OF OBLIGATIONAL AUTHORITY AND DM 527 MILLION OF  
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FEDERAL EXPENDITURES DURING 1977 UNDER THE PROGRAM.  
ON THE OTHER HAND, THE ORIGINALLY BUDGETED EXPENDITURES  
FOR 1977 WERE REDUCED BY THE IDENTICAL AMOUNT, SO THAT IN  
THE NET THERE HAS BEEN NO INCREMENT IN THE TOTAL FEDERAL  
OUTLAYS OR DEFICIT BEYOND WHAT EXISTED IN THE PRE-INVEST-  
MENT PROGRAM BUDGET BILL.

2. EC CREDIT TO ITALY:

ACCORDING TO THE GERMAN PRESS, THE EC FINANCE MINISTERS REACHED AGREEMENT AT THEIR APRIL 18 LUXEMBOURG MEETING ON THE CONDITIONS OF THE \$500 MILLION CREDIT TO BE GRANTED BY THE EC TO ITALY. REPORTEDLY THE FINANCE MINISTERS AGREED THAT ITALY SHOULD FULFILL THE SAME ECONOMIC CONDITIONS AS WERE IMPOSED BY THE IMF FOR THE GRANTING OF ITS MOST RECENT CREDIT TO ITALY. HOWEVER, WHILE THE IMF CREDIT WILL BE PAID OUT IN SEVERAL INSTALLMENTS, THE EC CREDIT WILL BE DISBURSED IN ONE LUMP SUM.

3. DM 700 MILLION CREDIT FOR DENMARK:

THE WESTDEUTSCHE LANDESBANK (WEST LB) IS CURRENTLY NEGOTIATING A CREDIT PACKAGE FOR THE KINGDOM OF DENMARK AMOUNTING TO DM 700 MILLION. THE PACKAGE WILL CONTAIN A DM 450 MILLION CREDIT TO BE GRANTED BY A GERMAN BANKING CONSORTIUM AT A FIXED INTEREST RATE. THE CONSORCIO WILL BE LED BY THE WEST LB; THE MATURITY OF THE CREDIT WILL BE 10 YEARS. IN ADDITION, AN INTERNATIONAL BANKING CONSORCIO, ALSO LED BY THE WEST LB, WILL EXTEND A DM 250 MILLION CREDIT CONSISTING OF TWO TRANCHES. A DM L50 MILLION TRANCHE WILL CARRY A COUPON OF 6 3/4 PERCENT AND MATURITY OF 6 YEARS; ANOTHER DM 100 MILLION TRANCHE A COUPON OF 7 1/4 PERCENT AND A 10 YEAR MATURITY. DM 100 MILLION OF BOTH TRANCHES WILL BE SOLD BY THE INTERNATIONAL BANKING CONSORCIO; THE REMAINING DM 50 MILLION HAVE ALREADY BEEN PLACED BY THE WEST LB.

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4. DEUTSCHE BANK CREDIT TO CHILE:

IN CHILE THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE DEUTSCHE BANK, HERMANN J. ABS, IS CURRENTLY NEGOTIATING THE PARTICIPATION OF THE DEUTSCHE BANK IN A \$100 MILLION CREDIT TO BE GRANTED BY A GROUP OF EUROPEAN BANKS TO THE CHILEAN COPPER COMPANY CODELCO. DURING THE PREVIOUS WEEK, THE CHILEAN CENTRAL BANK GOVERNOR, BARDON, AND THE DEUTSCHE BANK HAD ALREADY SIGNED IN FRANKFURT A CONTRACT ON A DM 50 MILLION CREDIT TO FINANCE CHILEAN IMPORTS OF CAPITAL GOODS. DURING HIS CURRENT FOUR DAY VISIT TO CHILE, ABS WILL ALSO MEET PRESIDENT FINOCHE, FOREIGN MINISTER CARVAJAL AND REPRESENTATIVES OF THE CHILEAN ECONOMICS MINISTRY AND THE PRIVATE ECONOMY.

5. FOREIGN EXCHANGE MARKET:

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NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /119 W  
-----200943Z 022921 /10

R 200922Z APR 77

FM AMEMBASSY BONN  
TO SECSTATE WASHDC 7519  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY TOKYO  
AMEMBASSY SANTIAGO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMCONSUL FRANKFURT

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THE DOLLAR WEAKENED CONSIDERABLY AGAINST THE  
DEUTSCHEMARK. IN MARKET CIRCLES THIS WAS BASICALLY  
ATTRIBUTED TO FOREIGN CALLS FOR A REVALUATION OF STRONG  
CURRENCIES AS THE DEUTSCHEMARK AND THE JAPANESE YEN.  
DURING THE REPORTING WEEK FRANKFURT SPOT AND FORWARD  
DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS

SPOT DOLLARS	(IN PCT. PER ANNUM)
OPENING FIXING	CLOSING ONE-MONTH THREE-MONTH

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APR 12	2.3835	2.3778	2.3762	-0.8	-0.9
APR 13	2.3740	2.3679	2.3675	-0.4	-0.8
APR 14	2.3660	2.3686	2.3695	-0.5	-0.7
APR L5	2.3730	2.3677	2.3675	-0.8	-0.8
APR 18	2.3630	2.3626	2.3645	-0.9	-0.8
APR 19	2.3655	2.3640	N.A.	N.A.	N.A.

6. MONEY MARKET:

THE GERMAN MONEY MARKET REMAINED TIGHT WITH THE CALL MONEY RATE BEING AT ABOUT THE LEVEL OF THE 4 1/2 PERCENT LOMBARD RATE. EFFECTIVE APRIL 13, THE BUNDES BANK REDUCED THE PERIOD FOR WHICH IT BUYS FROM BANKS BILLS ABOVE NORMAL REDISCOUNT QUOTAS FROM 20 TO 10 DAYS. THE INTEREST RATE REMAINED UNCHANGED AT 4 PERCENT. IN THE BUNDES BANK'S VIEW UNDER CURRENT CONDITIONS THE BANKS MAY NO LONGER NEED THIS KIND OF LIQUIDITY SUPPORT FOR PERIODS LONGER THAN 10 DAYS. DURING THE REPORTING WEEK, FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH	THREE-MONTH
APR 12	4.4-4.6	4.50	4.60
APR 13	4.4-4.5	4.50	4.60
APR 14	4.4-4.5	4.50	4.60
APR 15	4.4-4.5	4.50	4.60
APR 18	4.4-4.5	4.50	4.60

7. DECLINE IN INTEREST RATES ON SAVINGS DEPOSITS:

DURING THE REPORTING PERIOD, MOST SAVINGS BANKS HAVE FOLLOWED THE RECOMMENDATION OF THE ASSOCIATION OF GERMAN SAVINGS BANKS TO REDUCE INTEREST RATES ON SAVINGS DEPOSITS (SEE BONN 6303). SINCE MOST COMMERCIAL BANKS ALSO REDUCED SUCH RATES, INTEREST UNCLASSIFIED

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RATES FOR SAVINGS DEPOSITS PAID BY MOST GERMAN BANKS NOW RANGE FROM ABOUT 3 PERCENT (THREE MONTHS MATURITY) TO ABOUT 5 PERCENT (4 YEAR MATURITY).

8. BUNDES BANK FOREIGN POSITION:

IN THE PERIOD APRIL 1-7 THE BUNDES BANK'S NET FOREIGN POSITION DECLINED BY DM 0.2 BILLION TO DM 86.2 BILLION. FOREIGN EXCHANGE HOLDINGS FELL BY DM 195 MILLION, WHILE LIABILITIES AGAINST THE EUROPEAN FUND

FOR MONETARY COOPERATION INCREASED BY DM 100 MILLION.

OTHER FOREIGN LIABILITIES FELL BY ABOUT DM 90 MILLION.

9. BANK LIQUIDITY:

IN THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 1.2 BILLION. FACTORS INCREASING LIQUIDITY WERE A DM 1.8 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDES BANK AND A DM 2.3 BILLION DECLINE IN THE BANKS' RESERVES HELD AT THE BUNDES BANK. LIQUIDITY WAS REDUCED BY A DM 0.6 BILLION INCREASE IN CURRENCY IN CIRCULATION REFLECTING CURRENCY DEMAND FOR THE EASTER RECESS, THE ABOVE MENTIONED DECLINE IN THE BUNDES BANK'S FOREIGN POSITION AND OTHER NON-SPECIFIED FACTORS (DM 2.1 BILLION, NET).

THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 0.7 BILLION TO DM 0.9 BILLION. THEY FURTHER REPAYED DM 0.7 BILLION OF BORROWINGS FROM THE BUNDES BANK MADE UNDER THE SPECIAL REDISCOUNT FACILITY. ON APRIL 7, SUCH BORROWINGS AMOUNTED TO DM 2.5 BILLION. AT THE SAME TIME, THE BANKS INCREASED NORMAL REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

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-----200944Z 022911 /15

R 200922Z APR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7520

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

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10. BOND MARKET:

ON THE MARKET FOR DOMESTIC BONDS PRICE INCREASES  
CONTINUED BUT AT A SOMEWHAT SLOWER PACE. ACCORDING TO  
THE PRESS AVERAGE CURRENT YIELDS ON DOMESTIC BONDS  
BROKEN DOWN BY REMAINING MATURITY ARE AS FOLLOWS:

REMAINING MATURITY  
(YEARS) 1 3 5 7 9 10

YIELD TO MATURITY  
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APRIL 15 4.75 5.50 6.10 6.30 6.50 6.60  
APRIL 1 4.75 5.80 6.40 6.65 6.85 6.90

THE NEXT DOMESTIC LOAN WILL BE A LOAN OF THE FEDERAL  
RAILWAYS OF ABOUT DM 700 MILLION. IN VIEW OF PREVAILING  
FAVORABLE MARKET CONDITIONS, THE COUPON IS EXPECTED TO  
BE 6 1/2 PERCENT AS COMPARED WITH THE 6 3/4 PERCENT  
COUPON OF THE DM 850 MILLION FEDERAL LOAN OFFERED ON  
APRIL 4 (SEE BONN 6019). ACCORDING TO THE PRESS SOME  
MORTGAGE BANKS ARE ALREADY SELLING BONDS AT A COUPON OF  
6 1/2 PERCENT AND ISSUE PRICES OF 98.50 TO 98.75.

11. FOREIGN DM BONDS:

ON THE MARKET FOR FOREIGN DM BONDS, THE FOLLOWING  
BORROWERS PLAN FLOATATIONS:  
NEW ZEALAND: DM 200 MILLION, COUPON PROBABLY 6 1/2  
PERCENT, MATURITY 7 YEARS;  
SINGAPORE: DM 100 MILLION, COUPON 6 1/2 PERCENT,  
MATURITY 6 YEARS;  
NORWEGIAN HYPOTHEKENFORENING FOR NAERINGSLIVET  
(MORTGAGE BANK): DM 50 MILLION, COUPON PROBABLY  
7 1/4 PERCENT, AVERAGE MATURITY 8 YEARS.

12. \$150 MILLION LOAN OF VOLKSWAGEN:

THE VOLKSWAGEN OVERSEAS FINANCE N.V., CURACAO, PLANS  
TO ISSUE A \$150 MILLION LOAN. CONDITIONS ARE EXPECTED  
TO BE A COUPON OF 7 3/4 PERCENT AND A MATURITY OF  
10 YEARS. FINAL CONDITIONS WILL BE DETERMINED ON  
APRIL 26. THE LOAN WILL BE GUARANTEED BY THE GERMAN  
PARENT, VOLKSWAGENWERK AG, AND WILL BE USED TO FINANCE

VOLKSWAGEN INVESTMENTS OUTSIDE THE FRG.  
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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, ECONOMIC REPORTS, GOVERNMENT EXPENDITURES, INVESTMENTS, LOANS, INTEREST RATES, FOREIGN EXCHANGE RATES, ECONOMIC DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 20-Apr-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770136-1113  
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**From:** BONN  
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**Litigation Codes:**  
**Litigation History:**  
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**Message ID:** dca42aa2-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 BONN 6303, 77 BONN 6019  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
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**Review Exemptions:** n/a  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2756523  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 18)  
**TAGS:** EFIN, GE  
**To:** STATE TRSY  
**Type:** TE  
**vdkgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/dca42aa2-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
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